

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-847

January 9, 2001

BANGOR GAS COMPANY LLC,
Proposed Rate Change (Annual
Rate Cap Adjustment)

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Bangor Gas Company LLC's (Bangor Gas) proposed Price Cap Adjustment and related Rate Element changes for effect on January 1, 2000.

II. BACKGROUND

In Docket No. 97-795, the Commission approved a rate plan for Bangor Gas under which the Company is allowed to file a proposed Price Cap Rate Adjustment each October 1, starting in 2000. The Price Cap Rate Adjustment allows Bangor Gas to change its Price Cap Rates each year to account for inflation according to an approved formula. The formula calculates the Price Index change using three years' data (the forecast year, the current year, and the previous year) from the Gross Domestic Product – Price Index (GDP-PI). The current Average Price Cap Rate is increased by the Price Index change to set a new Average Price Cap Rate. The Average Price Cap Rate establishes the maximum amount Bangor Gas is allowed to adjust its average rates for each customer class. See Bangor Gas tariff at Original Sheets 5-7. Pursuant to the Rate Design Flexibility provision of its tariff (Original Sheet 9), Bangor Gas then may adjust its rate elements for each class, subject to the following constraints:

- a) No rate element shall be allowed to increase by more than 10% or by the percentage increase in the overall Price Cap Rate, whichever is greater; and
- b) Increases greater than the Price Cap Rate increase in a rate element for one customer class may not be compensated for by lower-than-average increases applicable to another customer class (interclass subsidization).

We must review Bangor Gas's filing to determine whether it has correctly applied both the Price Index change to Average Price Cap Rates and the Rate Flexibility provisions of its tariff.

IV. PROCEDURAL HISTORY

On October 11, 2000, Bangor Gas filed its first proposed annual Price Cap Rate Adjustment and provided a copy to the Office of the Public Advocate (OPA). The filing contained information supporting Bangor Gas's calculation and proposed revised tariffs, Original Sheet Nos. 48 and 49, proposed for effect on January 1, 2001. The Commission assigned Staff to review this matter as a non-adjudicatory proceeding.¹

On December 5, 2000, Bangor Gas filed an amended annual Price Cap Rate Adjustment proposal, correcting the GDP-PI data to reflect the September 2000 forecast for 2000 and 2001. The Company explained that it had mistakenly used the wrong years' values in its initial filing. This correction resulted in a modest change in the overall escalation factor, from 2.268% to 2.269%, but did not affect the proposed rate cap values.

After reviewing Bangor Gas's proposed rate adjustment to determine whether it complied with the Company's approved tariffs, our Staff issued a Proposed Order on December 15, 2000 recommending that we approve Bangor Gas's proposed Price Cap Rates and related Rate Elements.

V. ANALYSIS

A. Price Index and Average Price Cap Rate Changes

Bangor Gas's calculations produce a Price Index change of 2.269% that will be used to adjust the current Average Price Cap Rate for each class using the formula contained in the tariff. The formula makes two adjustments. First, it adjusts the Price Index based upon forecasted inflation for the current and upcoming year. Second, it makes an adjustment to correct for any differences between actual inflation in the prior year and the inflation forecast used to determine the prior year's adjustment to the Price Cap Rate.

Because this is the initial filing, Bangor Gas proposes to use a slightly modified formula to calculate the Price Index. In this first year of the formula's application, Bangor Gas proposes to use only GDP-PI data for the forecasted year and the current year. After the initial year, starting with the

¹ No notice was provided to customers because Bangor Gas is not currently providing tariffed service. Our Order in Docket No. 97-795 at 20 established that we would determine the nature and timing of necessary notice to customers of rate changes under Bangor Gas's rate plan in a future compliance proceeding. We require Bangor Gas to submit proposed notice provisions for review in advance of its next rate adjustment.

October 2001 annual rate cap adjustment, Bangor Gas proposes to return to the formula that appears in the tariff, to include the previous year's GDP-PI data as well as current and future forecasts.

The Staff concluded that the Company's October 2000 Annual Price Cap Rate Adjustment is conceptually consistent with our Order in Docket No. 97-795 and the Company's tariff.

We also find Bangor Gas's proposal, including the modification described above, acceptable. Bangor Gas proposes to use only the portion of the formula that increases the escalation factor for forecasted inflation for the current and subsequent years, but not the portion that corrects any error from the previous year. While Bangor Gas's proposal does not strictly conform to the tariff, we find, because there was no inflation adjustment last year, it is reasonable under the circumstances and consistent with the intent, if not the letter, of the rate cap plan we approved in Docket No. 97-795. Therefore, we approve this Price Index change and the Company's proposed corresponding Average Price Cap Rates for each class.

B. Rate Element Changes

Bangor Gas proposes to increase the rate elements for all classes by the full amount of the price index change.

The current rates were set in Docket No. 97-795. They were derived by forecasting a bundled rate that would be competitive with the customer's alternative fuel price, then subtracting an estimated energy charge, to arrive at the Average Price Cap Rates for each rate class. The Average Price Cap Rates were divided into two components: the customer charge² and the volumetric charge.³ Under its rate plan, Bangor Gas may change the individual rate elements, i.e. its customer charge and usage charges, for a class so long as these changes do not result in an average per therm rate in excess of the class Average Price Cap Rate.

² The customer charge which is the estimated average cost to serve a customer includes the service line, meter and regulator, meter reading, billing and collections.

³ These rates were initially set residually with the average volumetric delivery rates calculated based on an annualized customer charge and average usage rates of 140 decatherms (Dth) for residential customers, 350 Dth for small C/I, and 21,000 Dth for large C/I. We will use these same levels to determine the class average rates in the future.

Bangor Gas proposes to apply the maximum Price Index change equally to all of the individual rate elements in each class. Under the approved rate plan, Bangor Gas could have varied its application of the escalation factor to various rate elements within the approved constraints noted above. The tariff formula provides that class average rates may not exceed the class average Price Cap Rates. Because applying the escalation factor to each element equally creates an average rate per class that is consistent with this requirement, we approve these rates.

C. Head Room Factor Correction

Finally, Bangor Gas's filing also corrects an error in its current tariff in the Price Cap Rate for Large C/I customers.⁴ Because it makes the Price Cap Rate consistent with the Order in Docket No. 97-795, we approve this correction.

Dated at Augusta, Maine, this 9th day of January, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

⁴ No customers have taken service under the incorrect price.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.